Recommendations of the working group on Financial Companies

*417. SHRI SUNDER SINGH BHANDARI:
DR. NAUNIHAL SINGH:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have studied the recommendation of the Working Group on Financial Companies headed by Shri A. C. Shah;

(b) if so, the decision taken by Government together with the details of the important recommendations; and

(c) what is the manner in which Government propose to implement the recommendations of the Working Group?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI DALBIR SINGH): (a) and (b) The recommendations of the Working Group on Financial Companies have been examined by Reserve Bank of India and accepted in principle. The important recommendations of the Working Group are as under:—

(i) Dismantling of category-wise classification and application of uniform regulations for Non-Banking Financial Companies.

(ii) Regulatory attention to be on companies with net owned funds of Rs. 50 lakhs and under.

(iii) Entry norms for new companies.

(iv) Shifting of focus of regulation from liability side to asset side of the companies.

(v) Capital adequacy standard to be introduced based on risk weights for assets and credit conversion factors for off balance sheet items. Pending implementation of the capital adequacy norm, overall debt-equity ratio be 15 : 1.

(vi) The amount of funds placed under Portfolio Management Scheme may be related to net owned funds of a company.

(vii) The time periods for acceptance and deposits by Non-banking Financial Companies should range from 12 months to 84 months.

(viii) Interest rates on deposits accepted by Non-Banking Financial Companies should be pegged at 2 to 3 per cent over the rates offered by commercial banks.

(ix) Norms be prescribed for income recognition, transparency of accounts, provision for bad and doubtful debts.

(c) These will be implemented in a phased manner.

Income Tax exemption for voluntary Retirement Schemes

*418. DR. ABRAR AHMED:
SHRI BHUBANESWAR KALITA:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that a number of companies applied to the CBDT during the years 1991 and 1992 seeking exemption from payment of Income Tax for their Voluntary Retirement Scheme (VRS) duly approved by their Administrative Ministries;

(b) whether it is also a fact that the CBDT issued a Notification dated the 18th August, 1992 prescribing guidelines for the said purpose;

(c) whether the said guidelines make no mention about the cases already pending with the CBDT prior to the issue of the said Notification nor did the CBDT communicate approval to the companies;

(d) whether it is also a fact that Voluntary Retirement Scheme of such companies although not entirely in accordance with the said guidelines, yet meets most of its requirements; and